

Message Text

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51

ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

SIL-01 DRC-01 /170 W

----- 095476

R 131700Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2230

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 1726

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: COUNTERVAILING DUTY ON SHOES: PRESS REACTION

SUMMARY:

1. COUNTERVAILING DUTY INVESTIGATION ON IMPORTED BRAZILIAN SHOES ANNOUNCED BY U.S. TREASURY ON FRIDAY, MARCH 8, 1974, HAS RECEIVED EXTENSIVE COVERAGE IN BRAZILIAN PRESS. LEADING EDITORIAL IN INDEPENDENT JORNAL DO BRASIL (RIO) DESCRIBES THE ACTION AS "ANACHRONISTIC" AND SAYS THAT IT DEMONSTRATES THE PROTECTIONIST PRESSURES PUT ON U.S. GOVERNMENT BY WORKERS IN TECHNOLOGICALLY OBSOLETE INDUSTRIES. CONTINUING, EDITORIAL STATES THAT WHILE BRAZIL ACCEPTS RULES OF FREE MARKET, U.S. EMBRACES PROTECTIONISM INSPIRED BY RETROGRESSIVE NATIONALISM.

FINALLY, IT NOTES THAT ACTION IS CONTRARY TO PROMISE MADE BY U.S. SOME TIME AGO TO INSTITUTE PREFERENTIAL COMMERCIAL POLICY FOR IMPORTS FROM LDC'S.

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2. MOST OF THE OTHER REPORTING IN NEWSPAPERS FROM

BRASILIA, RIO, SAO PAULO AND PORTO ALEGRE WAS IN FORM
FACTUAL PRESENTATION BASED ON TREASURY PRESS RELEASE, AND
STATEMENT OF FONOFF SPOKESMAN THAT COUNTERVAILING DUTY
ACTION WAS NOT CONSISTENT WITH PROPOSALS ACCEPTED BY U.S.
IN THE SEPT. 12, 1973 GATT MEETING IN TOKYO. AND THAT BRAZIL

IS PREPARED TO DISCUSS PROBLEM IN MULTILATERAL TRADE
NEGOTIATIONS. ONE NEWSPAPER NOTED LATEST DECISION COMES
ONE MONTH AFTER FORMAL PROMISE BY KISSINGER AT MEXICO
CITY TO ENSURE FREE TRADE IN HEMISPHERE.

3. INDUSTRY SPOKESMAN ACKNOWLEDGED THAT SOME
REBATES GRANTED BY BRAZIL MAY BE "IRREGULAR UNDER GATT
RULES BUT THAT INTERNATIONAL RULES ARE NOT CLEAR AND REQUIRE
FURTHER STUDY". END SUMMARY.

4. STRONGEST REACTION TO COUNTERVAILING DUTY INVESTIGATION
APPEARED IN LEADING EDITORIAL OF INDEPENDENT JORNAL DO BRASIL
(MARCH 12). CALLING MOVE "ANACHRONISTIC", IT
ACCUSES U.S. OF REFUSING TO ABIDE BY RULES OF FREE MARKET
ON WHICH PROSPERITY OF U.S. ECONOMY WAS FOUNDED. IT
SAYS THAT DECISION RESULTED FROM PROTECTIONIST PRESSURES
PUT ON U.S. GOVERNMENT BY WORKERS IN TECHNOLOGICALLY
OBSOLETE INDUSTRIES, AND THAT MOVE IS CONTRARY TO PROMISE
MADE BY U.S. SOME TIME AGO TO INSTITUTE PREFERENTIAL
COMMERCIAL POLICY ON IMPORTS FROM LDCS. EDITORIAL SAYS
BRAZIL ON OTHER HAND HAS OPENED UP ITS INTERNAL MARKET TO
THE MULTINATIONAL COMPANIES. HENCE, IT CONCLUDES THAT
WHILE "A DEVELOPING COUNTRY (BRAZIL) ACCEPTS THE RULES OF
THE MARKET ECONOMY... A DEVELOPED NATION (U.S.)...
EMBRACES PROTECTIONISM INSPIRED BY RETROGRESSIVE NATIONALISM".

5. REPORTS ON COUNTERVAILING DUTY INVESTIGATION WERE
CARRIED IN THE ESTADO, THE FOLHA, AND THE DIARIO POPULAR,
NEWSPAPERS OF SAO PAULO, THE JORNAL DO BRASIL OF RIO,
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AND THE JORNAL, DIARIO AND CORREIO BRAZILIENSE OF
BRASILIA AND THE LOCAL PRESS IN RIO GRANDE DO SUL (A MAIN
SHOE MANUFACTURING STATE). SOME OF THE STORIES WERE
DATELINED WASHINGTON AND WERE FACTUAL PRESENTATIONS OF
THE TREASURY PRESS RELEASE. OTHER ACCOUNTS ORIGINATED IN
BRASILIA AND INCLUDED COMMENTS BY A FONOFF PRESS SPOKESMAN.
THE PRESS SPOKESMAN IS QUOTED AS FOLLOWS: THE
COUNTERVAILING DUTY ACTION IS CONSISTENT NEITHER WITH THE

TRADE PROPOSALS ACCEPTED BY THE U.S. IN TOKYO IN THE SEPT. 1973 GATT MEETING, NOR WITH THE GATT ITSELF; THE FONOFF SUBMITTED A NOTE TO THE STATE DEPARTMENT ON FEBRUARY 20 DECLARING THAT BRAZIL IS PREPARED TO DISCUSS THE PROBLEM OF INCENTIVES IN THE MULTILATERAL TRADE NEGOTIATIONS; THE FONMINISTER WAS NOTIFIED OF THIS ACTION BY THE SECRETARY OF STATE ON MARCH 7, THE BRAZILIAN GOVT. IS SEARCHING FOR A SOLUTION FAVORABLE TO THE INTERESTS OF BRAZILIAN EXPORTERS.

6. FOLHA OF SAO PAULO NOTED EDITORIALY THAT THE U.S. DECISION WAS ANNOUNCED LESS THAN ONE MONTH AFTER A FORMAL PROMISE MADE BY THE SECRETARY OF STATE TO THE LATIN AMERICAN FOREIGN MINISTERS AT MEXICO CITY THAT "HIS GOVERNMENT WOULD NOT CREATE OBSTACLES TO LATIN AMERICAN EXPORTS TO THE U.S."

7. DIARIO POPULAR OF SAO PAULO CARRIED EDITORIAL CALLING U.S. ACTION A "NEW THREAT" TO BRAZILIAN EXPORTS. IT RECOGNIZED THAT GOB DOES PROVIDE FISCAL INCENTIVES FOR EXPORTERS BUT ARGUED THAT INTERNATIONAL STANDARDS ON INCENTIVES ARE NOT CLEAR. THE EDITORIAL CONCLUDED THAT "THE HARSH REALITY IS THAT PRESIDENT NIXON AND HIS AIDES FREQUENTLY SAY THAT U.S. IS DEEPLY INTERESTED IN OUR SUCCESS IN OVERCOMING UNDERDEVELOPMENT... BUT EVERY-TIME WE SUCCEED IN PLACING A NEW PRODUCT IN U.S. MARKET, THE GROUPS WITH WHOM WE COMPLETE IN THAT MARKET GET TOGETHER AND SEEK WAYS AND MEANS TO PREVENT OUR PENETRATION. IT IS ON OCCASIONS LIKE THIS THAT WE HAVE OPPORTUNITY TO MEASURE OUR FRIENDS' SINCERITY."

8. JORNAL DO BRASIL ARTICLE NOTED THIS IS SECOND SUCH COMPLAINT LAUCHED AGAINST BRAZIL'S EXPORT INCENTIVE PROGRAM FOR SHOES; THE FIRST ONE WAS SET IN MOTION BY UNCLASSIFIED

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SHOE MANUFACTURING ASSOCIATION OF GREAT BRITAIN IN OCT. 1972, BUT WAS NOT FOLLOWED UP BY BRITISH GOVERNMENT.

9. JORNAL DO BRASIL AND LOCAL PRESS IN THE STATE OF RIO GRANDE DO SUL ALSO CARRIED STORY QUOTING THE SEC GEN OF NATIONAL SHOE FAIR (FENAC), ENIO KLEIN, AS SAYING THAT HE UNDERSTANDS THE U.S. POSITION, SINCE SHOE IMPORTS CREATE UNEMPLOYMENT PROBLEM IN THE U.S. BUT THAT HE DOES NOT CONSIDER BRAZIL'S EXPORT INCENTIVE PROGRAM AS ILLEGAL; GATT RULES ARE NOT RPT NOT CLEAR AS TO WHETHER INCOME TAX EXEMPTION AND SUBSIDIZED INTEREST RATE LOANS CONSTITUTE SUBSIDY TO EXPORTERS. ARTICLE IN JORNAL DO BRASIL ALSO MADE REFERENCE TO CONGRESSIONAL PRESSURE TO RESTRICT IMPORTS OF SHOES, NOTING THAT AMERICAN SHOE INDUSTRY THREATENED BY RISING IMPORTS.

10. O ESTADO DE SAO PAULO CARRIES EDITORIAL ON MARCH 13
CONTENDING THAT VIRTUALLY EVERY COUNTRY, INCLUDING THE
U.S., SUBSIDIZE EXPORTS IN SOME FASHION, AND THAT BRAZIL
IS NOT DOING ANYTHING UNUSUAL IN THIS REGARD. IT ATTRIBUTES
TREASURY ACTION TO INDUSTRY PRESSURES. EDITORIAL CONCLUDES
ON HOPEFUL NOTE STATING THAT SECRETARY KISSINGER, WITH HIS
GLOBAL VISION OF INTERNATIONAL PROBLEMS, AND AMBASSADOR
CRIMMINS, WITH HIS KNOWLEDGE OF BRAZIL'S PROBLEMS, WILL
KNOW HOW TO EVALUATE IMPORTANCE OF SHOE EXPORTS TO BRAZIL-
U.S. RELATIONS.
CRIMMINS

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Disposition Event:
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